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ASIA-PACIFIC FORESTRY COMMISSION
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FORESTS FOR PROSPERITY
Secretariat Note

Introduction

1. Rapid economic growth during the last two decades in most Asia-Pacific countries has led to a significant reduction in the proportion of population below the poverty line. But in a world where people's aspirations are changing, it is not enough to simply lift people above the poverty line; a proactive prosperity-enhancing approach should be pursued. The economic crisis that unfolded from 2008, affecting vast numbers of people – especially the lower and middle classes – has also highlighted the importance of maintaining a prosperity focus in development policies and programmes. The World Bank has recently underscored the importance of enhancing 'shared prosperity', measured in terms of per capita income accruing to the poorest 40 percent of the population.¹
2. Linkages between forests, society and prosperity are multidimensional and complex. For several reasons, the role of forests in enhancing prosperity has not been fully understood or widely appreciated. Measures of prosperity based on indicators like gross domestic product (GDP) have marginalized forestry because many of the products and services that forests contribute to prosperity are not fully captured in GDP statistics. Also, paradoxically, prosperity has eluded a very large segment of forest-dependent communities; in fact, in almost all Asia-Pacific countries, forest-dependent communities suffer from severe poverty.
3. This has given credence to a view that regards forests as a stumbling block to progress and prosperity. Clearing forests for more lucrative uses – especially agriculture, infrastructure projects, mining, human settlement – is considered unavoidable for prosperity and many development projects involving forest clearance have been justified in the name of bringing prosperity to marginalized areas and people. In this context, there is a need to further examine forestry-prosperity linkages and what needs to be done to strengthen the role of forests and forestry in enhancing prosperity.

¹World Bank. *End extreme poverty and promote shared prosperity*.

Forests for prosperity: key issues

4. Prosperity or well-being has multiple dimensions: economic, social, environmental, cultural and spiritual. The Stiglitz-Sen-Fitoussi Commission² has identified eight dimensions of well-being: material living standards (income, consumption and wealth); health; education; personal activities including work; political voice and governance; social connections and relationships; environment (present and future conditions); and insecurity (economic as well as physical). Prosperity in society largely stems from an increase in well-being, especially through progress in all the dimensions indicated by the Stiglitz- Sen-Fitoussi Commission.

5. Certainly forests and forestry directly and indirectly contribute to most of the above well-being components to varying degrees, although the most evident contributions are to material living standards and the environment. Material living standard is primarily a function of how the size of the income (consumption) pie is increasing and how it is apportioned among individuals/households in society. Forestry's contribution to material living standards primarily stems from two components: (1) the wide array of goods and services that forests produce that enhance the well-being of their users, and (2) through the process of production of goods and services, by way of generating income through employment. Several key challenges are evident in this regard.

Production of goods and services from forests remains far below potential

6. Notwithstanding the long history of forest management, large tracts of forests are not covered by any management plans and where such plans exist, the intensity of management still usually remains low, resulting in production of goods and services far lower than the potential. Even plantations established to enhance wood production remain underproductive. As the value of alternate land uses increases, forest management cannot remain under a low productivity regime. The forest sector needs to capitalize on increasing demand for wood, especially in the context of a shift towards more climate-friendly products, by enhancing forest productivity. Similarly, the need to enhance the provision of ecosystem services such as recreation, carbon sequestration, watershed protection and biodiversity conservation, for which demand is expected to increase, will require more active management, enhancing opportunities for income and employment.

Value addition: the key to prosperity

7. One of the greatest challenges facing forestry is the low level of value addition and still a substantial proportion of wood is consumed without any, or after minimal, processing. With increasing demand for a wide range of products and services and the emergence of new technologies, the scope for value addition is enormous. However, the linkage between wood production and processing remains very weak in most countries. Many forest-rich countries in the Asia-Pacific region continue to export logs and other raw products, failing to take advantage of the value-addition potential and thereby undermining the opportunity for enhancing prosperity.

Just and equitable distribution of benefits

8. The distribution of value-added among various stakeholders is another important aspect determining the role of forestry in enhancing prosperity. Historically, forest management has favoured large enterprises and large concessions, primarily from the perspective of efficiency through economies of scale. There has been an implicit bias against small enterprises which, in view of the rules and regulations that favour large enterprises, have often been forced to operate in the informal domain. This is especially the case with most of the enterprises dealing with production, processing and trade of woodfuel and non-wood forest products. Operating in the informal domain undermines

² Report by the Commission on the Measurement of Economic Performance and Social Progress by Joseph E. Stiglitz, Amartya Sen & Jean-Paul Fitoussi.

their ability to benefit from the more lucrative formal markets. Also they are unable to tap into financial markets or research and development processes. Consequently many small enterprises, including those involved in tree growing, have been unable to contribute their full potential to enhancing prosperity.

Challenges in enhancing the contribution of forestry to prosperity

9. There are several challenges that forestry has to address if the sector's full potential for prosperity enhancement is to be realized.

Forest ownership

10. Forest ownership is a key determinant of forests' contribution to alleviate poverty and enhance prosperity. Most forests in the Asia-Pacific region are under public ownership, almost entirely managed by government forestry departments. In theory this implies that the public at large is the primary beneficiary. However, the reality is quite different. The benefits that actually trickle down are far from adequate to significantly enhance prosperity and, in many cases, public ownership faces enormous challenges in efficiently managing forests to ensure the realization of their full potential.

11. In many countries substantial efforts have been made to involve local communities in the management of forests. The ability of community-owned/ managed forests to contribute significantly to prosperity is highly variable. In a number of instances, ownership of large tracts of forests has not delivered prosperity to local communities and often resources have been appropriated by powerful logging companies. But there are other situations where well-informed and well-organized communities have been able to negotiate effectively, enabling them to capture substantial benefits and use the resulting benefits to enhance prosperity.

12. In general private ownership is more able to realize the full potential of forests, albeit often focusing on a very narrow range of products and services. In fact, most high-productivity plantations are under private ownership. Whether private ownership will contribute significantly to enhanced prosperity depends on a number of factors, including: the extent of land/forests owned; the ability of owners to manage the resource efficiently; markets and prices for products and services; etc. There are several examples of farmers and forest owners in the Asia-Pacific region substantially enhancing their incomes from tree growing by taking advantage of increasing demands for wood and other products in local, national and global markets. However, most smallholders tend to be price takers, subjected to market uncertainties, although institutional innovations such as producer associations and cooperatives help to address some of the scale-related problems.

The governance challenge

13. Many of the problems that undermine prosperity relate to poor governance, and forestry has an array of governance challenges that adversely affect prosperity. Persistence of high levels of poverty in forested areas is, in fact, to a large extent a problem of poor governance. Large-scale illegal logging is a classic example of how poor governance negatively affects prosperity, when income that should have been accruing to governments and society is siphoned away by illegal operators. Interpol has estimated the annual value of global illegal timber trade to be about US\$30 to 100 billion. A number of governments have initiated action to curtail illegal forest product trade (e.g. the European Union Timber Regulations and the Amendments to the Lacey Act in the United States).

Innovation as a key to prosperity

14. Considering the limits to natural resources, innovation is a critical element in producing more value-added products, thus helping to enhance prosperity. Forestry has lagged far behind many other sectors in the area of innovation. For example, in the Asia-Pacific region, the proportion of forests that are actively managed remains very low. However, several countries which have actively managed

their forests and fostered greater innovation – both with regard to the technology employed and institutional arrangements – have been able to enhance the contribution of forestry to prosperity. However, in almost every country much more could be done. A host of new technologies stemming from advancements in science is opening up new opportunities, especially to produce a wide array of new products and services. Countries that are able to take advantage of these developments will prosper, while prosperity will bypass those who fail to do so.

Some larger issues

Changing perceptions about prosperity

15. Prosperity is a dynamic concept, subject to changes as societies evolve. For hunter-gatherer communities, prosperity largely revolves around an assured fulfilment of basic requirements, including food, shelter, clothing, medicines and cultural needs. Transition to an agrarian society changes the goods and services in the consumption basket, altering society-forest-prosperity linkages. Similar change takes place during the transition of an agrarian society to an industrial society and subsequently from an industrial to a post-industrial knowledge-and-service based society. Most of the conflicts relating to the use of forests stem from the divergent nature of goods and services that are considered important to enhance prosperity by different societal segments. An understanding of these divergent needs is critical in tailoring prosperity-related interventions.

Prosperity: a combined outcome of multiple resources

16. Sustainable prosperity is built on the right balance between natural, human, physical and social capitals appropriate to a given context. Obviously, the existence of large tracts of forests (natural capital) in itself will not be a sufficient condition to enhance prosperity. There are numerous instances where poverty persists in richly forested tracts, primarily due to inadequacies relating to physical, human and social capital. Only when the right balance is achieved and synergies are captured among the different forms of capital will real prosperity be realizable.

Points for discussion

17. There are no easy, off-the-shelf prescriptions to enhance the forest sector's contribution to prosperity. At a general level, what needs to be done is straightforward: increase the total value accruing to the sector through more intensive forest management and give greater thrust to adding value to products and services through appropriate innovation. Natural capital produces various goods and services, but maximizing their value to society depends on their transformation through application of knowledge encapsulated in physical and human capital. Apart from an increase in absolute value, prosperity is dependent on equitable sharing, directly and indirectly enhancing the well-being of the poorer segments in society. In this context, the Commission may consider the following:

- How the positive contributions that forests can make in increasing prosperity and the opportunities for enhancing such contributions can be better emphasized, especially to overcome prevailing negative images of forests and forestry, which are sometimes portrayed as stumbling blocks to progress and prosperity.
- The linkage between forest ownership and prosperity, in particular whether the widely prevailing public ownership of forests is helping to realize the full potential of forests in contributing to prosperity.
- What needs to be done to enhance efficiency in the production of goods and services, including value addition.
- How to build and nurture the human capital that plays a key role in the production of goods and services.

- What innovations are required in forest policies, institutions and technologies to ensure that forests and forest enterprises are able to produce goods and services relevant to diverse and changing needs.